

DANE G HANSEN MEMORIAL MUSEUM & PLAZA

Logan, Kansas

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

December 31, 2010

**MAPES & MILLER
Certified Public Accountants
Phillipsburg, Kansas 67661**

DANE G HANSEN MEMORIAL MUSEUM & PLAZA
Logan, Kansas

December 31, 2010

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Janene Schneider, Vice-President
Polly Bales, Historian
Jim McDonald
Linda Toll
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DANE G HANSEN MEMORIAL MUSEUM & PLAZA
Logan, Kansas

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INDEPENDENT AUDITOR'S REPORT

**Director and Board Members
Dane G Hansen Memorial Museum & Plaza
Logan, Kansas 67646**

We have audited the accompanying financial statements of the Dane G Hansen Memorial Museum & Plaza, Logan, Kansas, a component unit of the City of Logan, Kansas, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Dane G Hansen Memorial Museum & Plaza, Logan, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the guidance in the Kansas Municipal Audit Guide. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Dane G Hansen Memorial Museum & Plaza, Logan, Kansas has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Dane G Hansen Memorial Museum and Plaza, Logan, Kansas as of December 31, 2010, or the changes in its financial position for the year then ended.

Director and Board Members
Logan, Kansas
December 19, 2011
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Dane G Hansen Memorial Museum & Plaza, Logan, Kansas, as of December 31, 2010, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended on the basis of accounting described in Note 1.

Respectfully submitted,

Mapes & Miller CPAs
Certified Public Accountants

December 19, 2011
Phillipsburg, Kansas

DANE G. HANSEN MEMORIAL MUSEUM & PLAZA
Logan, Kansas

Statement 1

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
For the Year Ended December 31, 2010

FUNDS	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
General Fund							
General Operating Fund	\$ 96,571	\$ -	\$ 322,679	\$ 340,452	\$ 78,798	\$ 34,075	\$ 112,873
Total Reporting Entity	<u>\$ 96,571</u>	<u>\$ -</u>	<u>\$ 322,679</u>	<u>\$ 340,452</u>	<u>\$ 78,798</u>	<u>\$ 34,075</u>	<u>\$ 112,873</u>

Composition of Cash:

Cash on Hand	\$ 300
NOW Account	<u>112,573</u>

Total Reporting Entity	<u>\$ 112,873</u>
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The notes to the financial statements are an integral part of this statement.

DANE G. HANSEN MEMORIAL MUSEUM & PLAZA
Logan, Kansas

Statement 2

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
(Budgeted Funds Only)
For the Year Ended December 31, 2010

FUNDS	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
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The Dane G. Hansen Memorial Museum & Plaza is not legally required to publish a budget.

The notes to the financial statements are an integral part of this statement.

DANE G. HANSEN MEMORIAL MUSEUM & PLAZA
Logan, Kansas

Statement 3

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2010

GENERAL OPERATING FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Grants & Donations	\$ 280,000	\$ 280,000	\$ -
Interest on Idle Funds	231	661	(430)
Rent	-	24,000	(24,000)
Appropriation from City of Logan	24,000	-	24,000
Arts & Crafts	1,500	1,200	300
Artist of the Month	1,109	2,418	(1,309)
Continued Education	11,267	7,000	4,267
Memberships	3,015	4,400	(1,385)
Other	1,557	1,972	(415)
	<u>322,679</u>	<u>\$ 321,651</u>	<u>\$ 1,028</u>
Total Cash Receipts			
EXPENDITURES			
Advertising	5,176	\$ 3,000	\$ 2,176
Artist of the Month	3,995	6,000	(2,005)
Arts & Crafts	10,129	7,900	2,229
Auto Expense	1,761	2,000	(239)
Continued Education	18,477	15,000	3,477
Exhibits	72,282	55,800	16,482
Insurance	6,410	8,000	(1,590)
Office Expense	15,443	16,000	(557)
Other Museum Expense	3,331	2,951	380
Building Maintenance & Expense	9,332	8,500	832
Equipment & Repairs	2,374	3,000	(626)
Grounds Maintenance & Expense	2,465	7,000	(4,535)
Labor Day	25,880	24,000	1,880
Telephone	3,223	3,000	223
Utilities	47,309	47,000	309
Payroll & Employee Benefits	112,865	112,500	365
	<u>340,452</u>	<u>\$ 321,651</u>	<u>\$ 18,801</u>
Total Expenditures			
Cash Receipts Over (Under) Expenditures	(17,773)		
UNENCUMBERED CASH, January 1, 2010	<u>96,571</u>		
UNENCUMBERED CASH, December 31, 2010	<u>\$ 78,798</u>		

The notes to the financial statements are an integral part of this statement.

DANE G HANSEN MEMORIAL MUSEUM & PLAZA
Logan, Kansas

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Dane G Hansen Memorial Museum & Plaza, Logan, Kansas, a component unit of the City of Logan, Kansas was formed on April 10, 1973. The Museum and Plaza promotes cultural interests in all fields of art, including but not limited to, loan exhibitions for gallery programs, exhibition previews, care and enrichment of the Museum and Plaza's permanent collections, local and area school participation, publicity of the arts, and membership and attendance benefits. The Museum and Plaza offers continued education programs and any other activities in the arts. The Board members are elected by secret ballot with approval by a majority vote of the Logan City Council and may serve a total term of four years.

Component Unit of the City of Logan – Dane G. Hansen Memorial Museum & Plaza, a component unit of the City of Logan, was created under the provisions of the laws of the State of Kansas. The purpose of the agency is to promote cultural interest in all fields of the arts. The Dane G. Hansen Memorial Museum & Plaza of the City of Logan is considered a component unit of the City of Logan, Kansas. This is due to the City's ability to control the Dane G. Hansen Memorial Museum & Plaza governing board. The governing board employs executives; sets the working budget, and authorizes contracts for exhibit displays.

Component Units of the Dane G. Hansen Memorial Museum & Plaza – Generally accepted accounting principles of the United States of America require that the financial statements present the accounts and operations of the Dane G. Hansen Memorial Museum & Plaza and its component units, entities for which the entity is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the entity's operations. If component units exist, data from these units are combined with data from the Dane G. Hansen Memorial Museum & Plaza. Each discretely presented component unit, if any, would be reported in a separate column in the combined financial statements to emphasize that it is legally separate from the Dane G. Hansen Memorial Museum & Plaza. As of December 31, 2010, and for the fiscal year then ended, the Dane G. Hansen Memorial Museum & Plaza had no discretely presented component units or any component units required to be blended in these financial statements.

FUND ACCOUNTING

The accounts of the Museum and Plaza are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Funds are classified into three categories: governmental, proprietary, and fiduciary. Within each of these three categories there are one or more fund types. The Museum and Plaza uses the following fund types:

Governmental Type Funds

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund.

BASIS OF ACCOUNTING

Statutory Basis of Accounting - The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The Museum and Plaza has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America- The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles in the United States of America. Capital assets that account for the land, buildings, and equipment owned by the Museum and Plaza are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

LEAVE POLICIES

Vacation Pay

Vacation pay is a liability of the employer to the employee. Each full-time employee who has worked at least one year but less than five years receives twelve days paid vacation per year. An employee who has worked five years but less than ten years receives fifteen days paid vacation per year. For every five years worked after ten years the employee receives an additional three days vacation. Employees may carry over a maximum of five days of their vacation time from one year to the next and authorized accrued leave will be payable upon termination in good standing.

Sick Pay

Sick leave is an accumulated liability of the employer to the employee. Each full-time employee is credited with twelve days sick leave as of the first day of employment and after each anniversary date. Sick leave can be accumulated up to sixty days and is payable up to one-half the number of days accrued upon termination in good standing.

The cost of accumulated vacation and sick pay as of December 31, 2010 was estimated to be \$9,343 for the Dane G Hansen Memorial Museum & Plaza, Logan, Kansas.

REIMBURSEMENTS

Reimbursements are defined as repayments of amounts remitted on behalf of another party. All reimbursements shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursement was directly tied to the amount of the original cash disbursement.

2. BUDGETARY INFORMATION

A legal operating budget is not required for the Dane G Hansen Memorial Museum & Plaza, Logan, Kansas.

3. COMPLIANCE WITH KANSAS STATUTES

(1) K.S.A. 10-1117 requires the Director to maintain a record of each fund's indebtedness and contracts creating a liability against the Museum and Plaza. The records did not include fund indebtedness and contracts for the year ended December 31, 2010, violating K.S.A. 10-1117.

(2) The Museum and Plaza is not aware of any other noncompliance with Kansas Statutes.

4. DEFINED CONTRIBUTION PLAN

The Dane G Hansen Memorial Museum & Plaza provides pension benefits for full time employees through 401(a) Money Purchase Pension Plan established by the Dane G Hansen Memorial Museum & Plaza, Logan, Kansas. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All employees who work 1,000 hours or more per year will be eligible for the plan on the first day of the month following the date on which they have both completed one year of service and attained age eighteen.

The employer contribution is required to be 4.00 percent of an employee's annual salary. The employee is required to contribute 3.00 percent of their annual salary. This contribution is generally made each pay period.

The employer is also required to contribute for past service for each employee and that contribution will be equal to 7.00 percent of an employee's annual salary on the effective date of the plan multiplied by the number of completed years of continuous service between the time the employee attained age eighteen and completed one year of service and the effective date of the plan.

The employer's past service contribution will be amortized in equal monthly installments from the effective date of the plan to the employee's normal retirement date. The employer is also contributing 2.30 percent of the pension contribution for a disability waiver.

The Museum and Plaza's contributions for each employee are vested at 20.00 percent after three years and then increase at the rate of 20.00 percent per year until the employee is 100.00 percent vested after seven years of service. Pension records for the Dane G Hansen Memorial Museum & Plaza, Kansas are not maintained separately from the records of Logan Community Health Services, therefore, information for the Dane G Hansen Memorial Museum & Plaza, Kansas for covered pension payroll, employer and employee required contributions are not available.

5. DEPOSITS AND INVESTMENTS

Deposits

As of December 31, 2010, the Dane G Hansen Memorial Museum & Plaza had no investments. K.S.A. 9-1401 establishes the depositories which may be used by the Museum and Plaza. The statute requires banks eligible to hold the Museum and Plaza's funds have a main or branch bank in the county in which the Museum and Plaza is located or in an adjoining County, if such an institution has been designated as an official depository and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Museum and Plaza has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Museum and Plaza's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Museum and Plaza has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the Museum and Plaza may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Museum and Plaza's deposits may not be returned to it. State statutes require the Museum and Plaza's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas Museum and Plaza, or the Federal Home Loan Bank of Topeka, except during the designated "peak periods" when required coverage is 50%. All deposits were blanketed under the City of Logan's pledged collateral and were legally secured at December 31, 2010.

At December 31, 2010, the Museum and Plaza's carrying amount of deposits was \$112,573 and the bank balance was \$46,330. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance \$46,330 was collateralized with securities held by the pledging financial institutions agents in the City of Logan's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Museum and Plaza will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

6. OTHER POST EMPLOYMENT BENEFITS

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Museum and Plaza through the City of Logan, Kansas makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage.

The American Recovery and Reinvestment Act of 2009 (ARRA), as amended, provides for premium reductions for health benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, commonly called COBRA. The premium assistance is also available for continuation coverage under certain State laws. "Assistance Eligible Individuals" pay only 35% of their COBRA premiums; the remaining 65% is reimbursed to the coverage provider through a tax credit. The premium reduction applies to periods of health coverage that began on or after February 17, 2009 and lasts for up to fifteen months.

7. RISK MANAGEMENT

The Museum and Plaza is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters for which the Museum and Plaza purchases commercial insurance.

During the year ended December 31, 2010, the Museum and Plaza did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

8. RELATED PARTIES

A Board member owns and operates a construction company that performs repairs for the Museum and Plaza. In 2010, the Museum and Plaza paid \$6,909 to the construction company. As of December 31, 2010, the Museum and Plaza did not owe the construction company for any other construction costs.